

Message Text

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SBUJECT: BELGIAN DROUGHT CONDITIONS

BEGIN SUMMARY. DROUGHT CONDITIONS PERSISTING DESPITE TEMPORARY
RELIEF IN LATE JULY. GOB INCREASINGLY CONCERNED OVER SITUATION
AND IS PREPARING SPECIAL REPORT FOR CABINET AND EVENTUAL EC
COMMISSION CONSIDERATION. IMPORTS OF FOOD AND AGRICULTURAL
COMMODITIES CERTAIN TO INCREASE TO COVER SHORFALLS. END SUMMARY.

1. CONERN OVER CONTINUING DROGHT HAS PROMPTED PRIME MINISTER

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TINDERMANS TO ESTABLISH A WORKING GROUP TO PREPARE SPECIAL

REPORT ASSESSING EFFECTS OF THE DROUGHT ON BELGIAN AGRICULTURE. GROUP COMPRISED OF REPRESENTATIVES OF PRIME MINISTER'S OFFICE AND MINISTRIES OF AGRICULTURE, FINANCE, ECONOMIC AFFAIRS AND SECRETARY OF STATE FOR BUDGET. REPORT WILL BE REVIEWED AT NEXT CABINET MEETING SCHEDULED FOR SEPTEMBER 3. FINDINGS OF REPORT AND SUBSEQUENT REVIEW REPORTEDLY WILL BE PRESENTED TO EC COMMISSION WITH REQUEST THAT COMMISSION INDICATE RELIEF MEASURES WHICH MAY BE UNDERTAKEN AT NATIONAL LEVEL AND ASSISTANCE WHICH EC INTENDS TO OFFER.

2. BELGIAN FARM ORGANIZATIONS BECOMING INCREASINGLY VOCAL ABOUT ADVERSE EFFECTS OF DROUGHT AND DEMANDS FOR COMPENSATION BEYOND MEASURES IMPLEMENTED THUS FAR. THESE ORGANIZATIONS HAVE ATTEMPTED TO CALCULATE LOSSES TO DATE; HOWEVER, IT IS DOUBTFUL GOB WILL ACCEPT BASIS OF ESTIMATES WHICH APPEAR DESIGNED TO OBTAIN MAXIMUM COMPENSATION. NEVERTHELESS, IT SEEMS DROUGHT DAMAGE WILL EXCEED GOB ABILITY TO FULLY COMPENSATE FARMERS FOR LOSSES AND THAT EC ASSISTANCE WILL BE NEEDED TO SOME EXTENT.

3. ADEQUATE FORAGE SUPPLIES CONTINUE TO BE MAJOR PROBLEM AREA. A RECENTLY COMPLETED SPECIAL SURVEY INDICATED THAT AS OF AUGUST 18, 193,000 HECTARES WERE PLANTED TO CATCH CROPS. THIS ACREAGE IS APPROXIMATELY 43 PERCENT OF TOTAL GRAIN ACREAGE. RESULTS OF CATCH CROPS TO DATE VERY DISAPPOINTING WITH AVERAGE YIELDS ESTIMATED BETWEEN 30 AND 50 PERCENT OF NORMAL. APPROXIMATELY 70,000 HECTARES PLANTED TO CORN SILAGE, BUT YIELDS WILL BE WELL BELOW NORMAL. CURRENT HAY PRICES ARE BETWEEN 8 AND 9 FRANCS PER KILO COMPARED TO NORMAL OF 4 TO 5 FRANCS. SUGAR BEET PULP PRICES ARE 8 TO 9.5 FRANCS PER KILO OR DOUBLE NORMAL LEVEL. MOA BELIEVES FORAGE SUPPLIES WILL NOT BE ADEQUATE TO SUPPORT PRESENT HERD SIZE AND BELGIUM WILL HAVE TO IMPORT ADDITIONAL QUANTITIES OR DECREASE HERD SIZE. MOST CRITICAL PERIOD FOR BEEF AND DAIRY PRODUCERS LIKELY TO FALL BETWEEN LATE JANUARY AND APRIL 1977.

4. CURRENT DAIRY PRICES REPORTEDLY BELOW COST OF PRODUCTION. SMALL PRODUCERS LESS ABLE TO SUSTAIN FINANCIAL LOSSES THAN LARGE PRODUCERS. WESTERN PROVINCES OF EAST AND WEST FLANDERS WORST AFFECTED AND ARE MAJOR MILK PRODUCING REGIONS. TOTAL MILK DELIVERIES DURING JULY DOWN 12 PERCENT FROM 1975 LEVEL BUT AUGUST DELIVERIES ONLY DOWN 7 PERCENT DUE TO RAINS IN LATE JULY WHICH

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IMPROVED PASTURE CONDITIONS. DURING 1974, MILK DELIVERIES TOTALED 2,602 MILLION LITERS WHILE IN 1975 THEY WERE DOWN 3.4 PERCENT OR 2,563 MILLION LITERS. CURRENT 1976 PRODUCTION ESTIMATED AT OR SLIGHTLY BELOW 1975 LEVEL. IT IS IMPORTANT TO REMEMBER MILK IS A MAJOR SOURCE OF INCOME FOR MANY FARMERS AND THEY WILL TRY TO KEEP PRODUCING AS LONG AS POSSIBLE.

5. THE JUNE SLAUGHTERING RATE ESTIMATE HAS BEEN REVISED AND IS

NOW FIGURED AT 10 PERCENT ABOVE 1975 LEVEL. JULY RATE ESTIMATED ABOUT SAME AS PREVIOUS YEAR, IN PART DUE TO TWO WEEK PLANT CLOSINGS FOR VACATION. AUGUST SLAUGHTERING RATE ESTIMATE IS 15 PERCENT ABOVE 1975. ALTHOUGH SLAUGHTERING RATES ARE UP, AVERAGE LIVE WEIGHTS ARE DOWN, RANGING BETWEEN 350-400 KILOS COMPARED TO NORMAL OF 550-600 KILOS. PRODUCER PRICES REPORTEDLY DECLINING BECAUSE OF INCREASED SUPPLIES, AS WELL AS HOT WEATHER AND VACATION PERIODS WHICH INFLUENCED CONSUMPTION. PRODUCER PRICES SAID TO BE 89 PERCENT OF EC ORIENTATION PRICES. BASED ON CURRENT SITUATION, IT APPEARS MEAT PRICES MAY INCREASE IN LATE 1976 OR 1977.

6. CURRENT ESTIMATES FOR SUGAR BEETS INDICATES YIELD BETWEEN 35-45 TONS PER HECTARE COMPARED TO NORMAL OF 45 TONS. YIELDS WILL VARY BY REGION; HOWEVER, AVERAGE SUGAR CONTENT LIKELY TO BE ABOVE NORMAL. ALTHOUGH CROPS GENERALLY IN GOOD SHAPE, WATER NEEDED BEFORE LONG. YIELD OF SUGAR BEET LEAVES AND TOPS FOR LIVESTOCK FEED WILL BE BELOW NORMAL OF 30 TONS PER HECTARE.

7. POTATO PRODUCTION FOR SEMI-LATE VARIETIES MAY ONLY YIELD 17 TONS PER HECTARE COMPARED TO NORMAL OF 30 TONS. SEMI-LATE VARIETIES OF BINTJE AND CLIMAX ACCOUNT FOR ABOUT 60 PERCENT OF TOTAL POTATO CROP. QUANTITY AND SIZE ALSO WILL BE BELOW NORMAL. LATE POTATO VARIETIES IN BETTER SHAPE AND MAY YIELD ABOUT 23 TONS PER HECTARE COMPARED TO NORMAL OF 30 TONS. PRODUCER PRICES FOR WARE POTATOES CURRENTLY 9 TO 12 FRANCS PER KILO AT FARM. SEED POTATO PRODUCTION ALSO DOWN AND MARKET PRICE PRESENTLY 40 FRANCS PER KILO COMPARED TO NORMAL OF 12 TO 14 FRANCS.

8. THE CURRENT DROUGHT HAS BEEN WIDELY PUBLICIZED AND SOME FOOD PRICES HAVE RISEN SHARPLY, ALTHOUGH PRODUCER PRICES HAVE NOT RISEN PROPORTIONALLY. PRESIDENT OF THE LARGEST BELGIAN RETAIL FOOD OUTLET, GB-INNO-BM, RECENTLY STATED MORE INFORMATION

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CONCERNING AGRICULTURAL CONDITIONS, AS WELL AS A "REGULARIZATION" OF AGRICULTURAL MARKETS WERE NEEDED TO IMPROVE SERVICE TO CONSUMERS AND TO AVOID PANIC BUYING AND HOARDING WHICH TENDS TO DRIVE UP PRICES. GOB CONCERN ABOUT INFLATION AND EFFECT RISING FOOD PRICES HAVE ON COST OF LIVING INDEX IS UNDERSCORED BY FACT FRESH VEGETABLE PRICES WERE SUSPENDED TEMPORARILY (JULY, AUGUST AND SEPTEMBER) FROM COL INDEX CALCULATION. RESULT OF SUSPENSION WAS SUBSTANTIALLY SMALLER INCREASE IN JULY COL INDEX, WHICH IN TURN AVOIDED TRIGGERING A GENERAL PRICE AND WAGE INCREASE AS PRESCRIBED UNDER BELGIAN INDEXATION SYSTEM.

9. CURRENT OUTLOOK SUGGESTS BELGIUM WILL NEED TO IMPORT LARGER THAN USUAL QUANTITIES OF FEEDGRAINS (PRIMARILY CORN AND GRAIN SORGHUM), SOYBEANS AND PRODUCTS, FORAGE MATERIAL, POTATOES AND VEGETABLES. SINCE NEIGHBORING COUNTRIES ALSO EXPERIENCING

PODUCTION DIFFICILTIES, IT SEEMS PROBABLE ABOVE IMPORTS WILL
COME, IN PART, FROM THIRD COUNTRIES. U.S. SUPPLY SITUATION FOR
SEVERAL OF ABOVE-MENTIONED COMMODITIES SUGGETS BELGIUM WLL
INCREASE PURCHASES FROM U.S.RENNER

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